

Press Release

ADB provides USD 200 million concessional loan and USD 35 million grant co-financing of Norway for strengthening power transmission and distribution system of Nepal.

Asian Development Bank (ADB) agreed to provide concessional loan equivalent to USD 200 million (About Rs. 23.88 billion) to the Government of Nepal (GON) for implementation of South Asia Subregional Economic Cooperation (SASEC) Power Transmission and Distribution System Strengthening Project. Similarly, the Government of Norway agreed to provide a grant co-financing equivalent to USD 35 million (About Rs. 4.18 billion) to be administered by ADB. Finance Secretary Mr. Sishir Kumar Dhungana and ADB Country Director Mr. Mukhtor Khamudkhanov signed loan and grant agreement on behalf of GON and ADB, respectively. Similarly, project agreement was signed by Managing Director of Nepal Electricity (NEA) Authority Mr. Kul Man Ghising and ADB Country Director Mr. Khamudkhanov at Ministry of Finance.

Finance Secretary Mr. Dhungana remarked, "ADB is a major development partner supporting Nepal's energy sector." He further said, "The project connects to SASEC framework by upgrading substations to enable full-fledged operation of the transmission line at 400 kilovolts, and to facilitate cross-border power exchange with India. The project will also support Province 2, where the quality of electricity supply is poor and about 20% of households are still out of access to the national grid."

"Electricity supplies are expected to increase rapidly during the next several years. Given this, electricity network enhancement has been a priority." said Mr. Mukhtor Khamudkhanov, ADB's Country Director for Nepal.

This loan is concessional having a 32-year term, including a grace period of 8 years, an interest rate of 1.0 percent per year during the grace period and 1.5 percent per year thereafter. The grant will be utilized for financing expenditures related to power transmission capacity enhancement and improvement of distribution network and capacity of energy-based enterprises development in Province-2. The Ministry of Finance will relend these assistances to NEA through subsidiary loan and grant agreements for implementation of project activities. The project will accomplish the reinforcement and modernization of the power supply system in Kathmandu in Bagmati Province and will begin strengthening of distribution systems outside of Kathmandu starting with the Bharatpur metropolitan area in Bagmati Province and Pokhara in Gandaki Province, suffering from persisting power supply interruptions. The project will also support Province 2, where the quality of electricity supply is poor and about 20% of households are still without access to the national grid. Further, the project will strengthen transmission lines for evacuation of hydropower to the main load centers, while excess power is traded with neighboring countries.

The project also aligns with SASEC framework by upgrading substations in Khimti, Barhabise, and Lapsipedi to enable full-fledged operation of the transmission line passing through these substations at 400 kilovolts, and to facilitate cross-border power exchange with India.

Finance Secretary Mr. Dhungana appreciated ADB for its continued support to energy sector development and expressed sincere thanks to the Government of Norway for its grant co-financing with ADB, which will be crucial for socioeconomic development of Nepal.

Ministry of Finance
11 Bhadra 2077 (27 August 2020)
Kathmandu.